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Weekly Intelligence Summary No. 30

SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

A Communist air network in Southeast Asia is in the process of organization. This network, furthermore, may already provide connections for Communist interests between Southeast Asia and Eastern Europe. (Item No. 1)

Norway has abandoned its "chosen instrument policy" in scheduled air services, by authorizing a privately-owned Norwegian air charter company to establish scheduled passenger and freight flights to the Far East. (Item No. 2)

Clandestine air transport operations to Israel by Lineas Aereas de Panama, S.A. (LAPSA) will be rendered increasingly difficult by the Panamanian Government's action in cancelling the company's aircraft registrations and operating contract. (Item No. 3)

While US-flag vessels carrying ECA goods will now be permitted to call at Chinese inland river ports, the prospects that these ports will soon be opened to all US commercial operations are still unfavorable. (Item No. 4)

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SECTION II. CURRENT DEVELOPMENTS

CIVIL AVIATION

1. A Communist air network in Southeast Asia is in the process of organization. This network, furthermore, may already provide connections for Communist interests between Southeast Asia and Eastern Europe.

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Nine surplus PBIs (Catalinas) were recently purchased from the Australian Commonwealth Disposal Commission on behalf of a newly organized irregular carrier, Asian Airlines Pty., Ltd., the leading director of which is the prominent Moscow-trained Australian Communist, Clarence Hart Campbell. Campbell is associated with a group of Chinese Communists or Communist sympathizers who have provided the capital for Asian Airlines. The company, properly registered in Sydney, is concentrating its operations in Siam, Burma, Malaya, and the NEI, with the object of providing essential communications for Communist activities and maintaining liason with agents who direct the Soviet campaign for insurrection throughout Southeast Asia.

It is reasonable to suspect an association between the operations of Asian Airlines and the extensive clandestine air transport of arms and narcotics known to be in progress throughout this area. Such activity would be logical, in view of (1) Communist control of the company; (2) Chinese stock ownership of the company, which will operate in areas where the Chinese dominate trade activities; and (3) the known close relationship which exists between Campbell and radical elements of the Indonesian Republican party. (Campbell has attempted without success to accredit himself to the Australian Government as the official Trade Representative for the Indonesian Republic.)

There is also evidence pointing to a possible connection between Asian Airlines and certain Eastern European agencies concerned with the reinforcement of the Israeli forces in Palestine. Campbell is also managing director of United Lubricants, Pty., Ltd., the staff of which is known to include Communists. This organization is a cover for the Australian-Palestine Association, which operates from Sydney, Australia. The American Joint Distribution Committee is engaged in recruiting and training military reinforcements for the Israeli forces in violation of the UN Truce, and has also organized the movement by air of Jewish DP's to Australia. Since Communist agents are known to have penetrated the DP ranks, and these flights traverse the areas in which Asian Airlines operates, a convenient medium appears to exist for the covert air transport of Communist agents throughout Southeast Asia.

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2. Braathens South America and Far East Air Transport Line (SAFE), a privately-owned Norwegian air charter company, has been authorized by the Norwegian Government to establish scheduled passenger and freight flights from Oslo to the Far East. SAFE, operating five DC-4 and one DC-3 aircraft, plans to operate two scheduled flights monthly from Oslo to Hongkong by the end of this year. The authorization marks an abandonment of Norway's "chosen instrument" policy by which DNL (the national air carrier in which the Government holds a 20 percent stock interest) had enjoyed a twenty-year monopoly on scheduled air services originating in Norway. Although SAFE may eventually compete with the Scandinavian Airlines System (SAS), a Swedish-Danish-Norwegian consortium in which DNL participates, the recent retrenchment policies of SAS may account for the Norwegian Government's willingness to grant SAFE's application.

Clandestine air transport operations in support of Israel by the US-owned airline, Lineas Aereas de Panama, S.A. (LAPSA), will be affected by the Panamanian Government's cancellation, at US instigation, of the company's aircraft registrations and operating contract. The company's activities in Panama were actually terminated in June, when the last LAPSA aircraft was ferried to the main base of clandestine operations in Czechoslovakia. (See Transportation Group Weekly, 3 August.) LAPSA's Panamanian registrations remained effective, however, until the conclusion of a Panamanian investigation which has found the company's operations to be in violation of Panama's ban on the shipment of arms to the Near East.

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The Panamanian action renders "stateless" most of the aircraft now engaged in clandestine transport flights to Israel. The operators of the LAPSA aircraft may, therefore, attempt either to re-register their aircraft in some other country, or to continue to operate illicitly to Israel without any legitimate national registrations. It is improbable, however, that any nation, including Czechoslovakia, which is committed by virtue of its UN membership to observe the Security Council arms embargo, would openly accord its protection to known violators of the UN action.

On the other hand, Czechoslovakia may consider the economic and political benefits of its arms traffic to Israel to be sufficiently great to warrant the continued clandestine use of Czechoslovak airfields by unregistered aircraft. If this is the decision, Czechoslovakia would accept the calculated risk that another country may protest on the grounds that this action violates existing air agreements, which require a specific national registration of aircraft engaged in international traffic.

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There is a further possibility that an attempt will be made to transfer these aircraft to Israel for use in an Israel-flag air transport service. In view of the military potential of aircraft of this size, however, it is unlikely that their acquisition could be accomplished by Israel under the terms of the Security Council Resolution.

It appears, therefore, that the Panamanian action will in any event render increasingly difficult the continued clandestine air transport of war material to Israel by the interests which control LAPSA.

SURFACE TRANSPORTATION

4. US-flag vessels carrying ECA goods to China will now be permitted to call at inland river ports. Approval of such action, despite bitter opposition of Chinese shipping companies, is contained in an agreement between the Chinese Ministry of Communications and the Executive Yuan. This agreement, which is a distinct concession to US shipping interests, was reached in order to effect economies by eliminating transshipments at coastal ports, and to make a gesture of acknowledgement for US efforts to help China. While the decision will actually facilitate US plans for aid to China, it does not substantially increase the possibility that Chinese inland ports will soon be opened to all regular US commercial operations. "B"

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